

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF IOWA**

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In re:

MERCY HOSPITAL, IOWA CITY, IOWA, *et al.*,

Debtors.

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)  
) Chapter 11  
)  
) Case No. 23-00623 (TJC)  
)  
) Jointly Administered  
)  
) Related to Docket No. 1224  
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**DECLARATION OF C. RICHARD BAYMAN IN SUPPORT OF FINAL FEE  
APPLICATION OF MCDERMOTT WILL & EMERY LLP, COUNSEL TO  
THE DEBTORS AND DEBTORS-IN-POSSESSION, FOR ALLOWANCE  
OF COMPENSATION AND REIMBURSEMENT OF EXPENSES**

I, C. Richard Bayman, being duly sworn, state the following under penalty of perjury and that the following is true and correct to the best of my knowledge, information, and belief:

1. I am a Managing Director of Fifth Third Securities and previously with H2C Securities, Inc. (“H2C”), a nationally recognized healthcare-focused strategic advisory and investment banking firm with experience in restructuring and distressed M&A which merged with Fifth Third earlier this year. I have been involved in the investment banking industry since 2000 and have extensive experience in healthcare transactions both in chapter 11 and in out-of-court restructurings. I hereby submit this declaration (this “Declaration”) in support of the *Eleventh Monthly and Final Fee Application of McDermott Will & Emery LLP, Counsel to the Debtors and Debtors-in-Possession, for Allowance of Compensation and Reimbursement of Expenses* [Docket No. 1224] (the “MWE Fee Application”). Unless otherwise stated, the facts set forth in this Declaration are based upon my personal knowledge of the industry and of the Debtors, my review of relevant documents, and my experience as a retained professional for the Debtors during the above-captioned chapter 11 cases (the “Chapter 11 Cases”). If called to testify, I could and would testify competently to the facts set forth in this Declaration.

2. H2C was initially retained by Mercy Hospital, Iowa City, Iowa (“Mercy”) in June 2021 as its investment banker to assist in the search for a long-term strategic partner and provide critical assistance to Mercy with respect to its marketing and sale processes. Following H2C’s retention, H2C collaborated with existing management to explore a range of potential transactions, including a merger, affiliation, partnership or other similar type of arrangement. In doing so, Mercy, with the assistance of H2C, ran a process that would best enable a partnership with a larger, more financially sound healthcare provider and would maintain the Debtors’ role as an essential healthcare provider to the community. In particular, H2C prioritized potential candidates that would have the resources to maintain and continue the Debtors’ operations and to manage its balance sheet liabilities. H2C initially identified a number of potential candidates that met these criteria and would potentially be interested in partnering with a non-profit community hospital in Iowa City. In addition, on June 30, 2021, Mercy announced to the organization and the market that it was seeking a long-term partner. During this time, three parties submitted initial indications of interest. One of these parties was the State of Iowa’s University of Iowa (the “University”). After due diligence and considerable negotiations with each of the entities, all three entities declined to proceed.

3. In late 2022, Mercy re-engaged with the University regarding a potential strategic acquisition. Mercy spent significant resources in the winter months of late 2022 and early 2023, with the University conducting extensive due diligence. In early February 2023, the University submitted a draft stalking horse asset purchase agreement that contemplated a potential bankruptcy filing and asset sale. However, given the lack of support of this transaction from Mercy’s secured bondholders (the “Bondholder Representatives”) and the inherent risks in moving forward without their support, Mercy broke off discussions with the University.

4. In the summer of 2023, following escalating tensions between the Bondholder Representatives and Mercy as a result of, among other things, the filing of a receivership action by the Bondholder Representatives, Mercy, with the assistance of McDermott, H2C, and ToneyKorf Partners LLC (“ToneyKorf”), reinitiated negotiations with the University on a potential path forward. Mercy, with the assistance of McDermott, H2C, and ToneyKorf, subsequently negotiated and finalized a binding letter of intent with the University and the parties executed a stalking horse purchase agreement in early August 2023 contemporaneously with Mercy and its debtor affiliates (collectively, the “Debtors”) filing the above-captioned chapter 11 cases (the “Chapter 11 Cases”).

5. During the Chapter 11 Cases, I, along with members of the H2C team under my supervision, communicated with McDermott representatives on a regular (often daily) basis with respect to the Debtors’ proposed bidding procedures, marketing, auction, and sale process. I personally attended the three auctions held in these Chapter 11 Cases in October 2023 and I witnessed and participated in the intense negotiations between the University and Bondholder Representatives. I, along with my team, worked with McDermott to assist the Debtors in evaluating the various bids received from the University and the Bondholder Representatives, including (a) the initial stalking horse bid of \$20 million from the University, (b) the original winning bid received from the Bondholder Representatives for a credit bid of \$27.8 million and a commitment to fund certain operating losses, and (c), following a material disagreement with respect to the operating loss funding component of the Bondholder Representatives’ bid, the final winning bid from the University for \$28 million plus funding for operating losses from December 1, 2023 to closing and a commitment to invest \$25 million in Mercy Hospital over the next five years. I believe that McDermott’s efforts were absolutely critical to bringing the University back into the auction process following the Bondholder Representatives’ failed bid and increasing the

overall purchase price from the initial stalking horse bid of \$20 million to \$28 million plus invaluable operating loss funding and the commitment to invest \$25 million. I do not believe that the University would have been willing to participate further in the Debtors' sale process without McDermott's continued efforts, nor do I believe that a sale would have been possible in the Chapter 11 Cases without McDermott's tireless commitment to maximizing value for the Debtors, their estates, and creditors while protecting patients and continuity of care at Mercy Hospital.

6. In my opinion, McDermott's expertise, knowledge, and experience in both complex restructurings and healthcare<sup>1</sup> were critical to negotiating, documenting, and consummating the Debtors' sale to the University to the benefit of all patients and local Iowa residents served by Mercy Hospital. I believe that the sale of Mercy Hospital to the University and the overall outcome of the Chapter 11 Cases, as well as the care and safety of the patients at Mercy Hospital, may have been jeopardized, but for McDermott's efforts prior to and during the Chapter 11 Cases. Accordingly, I believe that the fees and expenses requested by McDermott in the MWE Fee Application are reasonable, justified, and merited due to the services, expertise, and guidance provided by McDermott during the Chapter 11 Cases and the incredible results achieved by McDermott for the benefit of the Debtors and their estates, creditors, and patients.

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<sup>1</sup> In January 2024, McDermott was once again named Practice Group of the Year for Health Care by *Law360*. This was McDermott's third consecutive year and eighth time overall receiving this honor. See *McDermott Named Law360 Practice Group of the Year for Health Care for Third Year in a Row*, Jan. 22, 2024, available at <https://www.mwe.com/media/mcdermott-named-law360-practice-group-of-the-year-for-health-care-for-third-year-in-a-row/>. Additionally, McDermott is the only law firm in the U.S. that is ranked as a "Band 1" healthcare law firm by Chambers, a rating McDermott has exclusively received for 20 straights years. See Chambers and Partners, *Healthcare in Illinois, USA Guide 2024*, McDermott Will & Emery, available at <https://chambers.com/department/mcdermott-will-emery-llp-healthcare-usa-5:62:12471:1:4384>.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Dated: October 21, 2024

/s/ C. Richard Bayman

C. Richard Bayman  
Managing Director  
Fifth Third Securities, Inc.